

KANSAS PUBLIC WATER SUPPLY CAPACITY DEVELOPMENT PROGRAM

Status Report

For
State Fiscal Year 2006
EPA Capitalization Grant

September 9, 2005



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Division of Environment
Bureau of Water
Public Water Supply Section

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INTRODUCTION

This report is provided as required by Section 1420 of the 1996 Amendments to the Safe Drinking Water Act and to comply with EPA drinking water revolving loan fund Capitalization Grant requirements. Information is provided on activities conducted to implement the Kansas Capacity Development Assurance Program during State Fiscal Year 2005, for the 2006 grant.

The Kansas Capacity Development Assurance Program consists of two components: 1) New System Capacity Assurance reviews and permitting; and 2) Implementation of the Capacity Development Strategy for Existing Public Water Supply Systems. This report is organized by these two components. A copy of the Kansas Capacity Development Strategy and Report of Findings is available on the KDHE webpage: <http://www.kdhe.state.ks.us/pws/capdev.html>.

NEW SYSTEM REVIEWS

During FY 2005, one new system permit application was submitted to the Kansas Department of Health and Environment (KDHE) for review. New system permit reviews were conducted for applications received in FY 2003 and FY 2004. These systems and the status of the permit reviews are listed in Table 1.

The New System Permit Application consists of two parts. Part 1 is the engineering and design component, which is reviewed and approved by the Engineering and Permitting Unit. Upon approval of Part 1 and the budget section of Part 2, a conditional permit or a letter of approval is issued authorizing construction of the public water supply system. Part 2 of the permit application is the technical, financial and managerial capacity assurance component. Before the system begins operation, the elements in Part 2 of the application must be completed and approved. A final inspection must also be conducted and approval to initiate operations must be granted by KDHE. There were no changes to KDHE's statutory authority or new system permitting process during FY 2005.

Table 1 – New System Permit Review Status

Public Water Supply System	Status
Public Wholesale Water Supply Dist. #13 (FY 2003)	Under Review, Permit Not Issued
Public Wholesale Water Supply Dist. #20 (FY 2004)	Under Review, Permit Not Issued
Public Wholesale Water Supply Dist. #23 (FY 2004)	Under Review, Permit Not Issued
Wilsey, City of (FY 2005)	Under Review, Permit Not Issued

The Capacity Assurance Strategy for new systems includes a review and evaluation component that KDHE uses to determine if the review and permitting process is effective. Any new system appearing on either a significant non-compliance (SNC) listing, or a pre-SNC listing, will receive special review to ascertain why the new non-compliance is occurring. KDHE will evaluate whether the system's appearance on a SNC listing is because of any short-coming in the new system permitting process or whether the appearance is due to other reasons, such as not following a proposed budget or providing proper training for the system's certified operator. In accordance with the new EPA reporting criteria, KDHE evaluates compliance data for new systems permitted in the previous 3 fiscal years. Table 2 lists the compliance data for systems permitted in FY03 and FY04. There were no new permits issued in FY05.

Table 2 – New System Compliance History

System	Permitted SFY	Violations	Corrective Actions
Lake Wabaunsee Improvement Dist.	FY 03	None	N/A
McPherson Co RWD #6	FY 04	None	N/A
Wheatland Electric (Garden City)	FY 04	None	N/A

CAPACITY DEVELOPMENT STRATEGY FOR EXISTING SYSTEMS

Strategy Background

The Kansas Capacity Development Workgroup developed 15 recommendations for KDHE to consider in implementing the Kansas Capacity Development Strategy for Existing Systems (see Report of Findings). KDHE selected eight of these recommendations for the initial implementation of its strategy. These eight recommendations were considered to have the greatest potential to generate significant capacity gains in a relatively short time. Since EPA approval of the Strategy in September 2000, KDHE's primary focus has been on implementation of these initial 8 recommendations. Table 3 summarizes the implementation status of the eight initial recommendations.

Table 3 – Initial 8 Strategy Recommendations

Recommendation	Implementation Status
TFM Surveys for all community water systems	Implemented – Conducted every 3 years
Require water use reports from all systems	Implemented – Required annually By DWR
Develop a PWS business planning guidebook	Implemented – Part of KanCap
Develop PWS finance training program	Implemented – KanCap/EFC Financial Tools
Require all systems to install customer meters	Under Development – deferred
Expand KDHE “Survival Guides” for PWS systems	Partially Implemented – TCR, CCR, DBPR1, LT1ESWTR, IESWTR, FBRR, PNR http://www.kdhe.state.ks.us/pws/survival.html
Develop facilities management plan guidelines (Asset Management)	Not Implemented
Develop board/council member education program	Implemented – KanCap

The remaining seven recommendations were retained for implementation as need and resources allowed. These 7 recommendations are summarized in Table 4. Some of these 7 have been implemented through incorporation into one of the initial 8 and some have been implemented as opportunity arose.

Table 4 – Remaining 7 Strategy Recommendations

Recommendation	Implementation Status
Kansas Lawmakers information packets	Not Implemented
“As Built” mapping assistance program	Partially Implemented – PWS GIS Database of RWD service areas, distribution system, interconnects, and storage facilities
Encourage partnerships among PWS systems	Implemented – Planning Grant Program, Participate in KWO and/or local sponsored regional PWS planning activities
Develop drinking water public information program	Not Implemented
Develop program to help select engineers/consultants	Implemented – Part of KanCap
Develop newsletter – KDHE spending, compliance, etc.	Not Implemented
Third-party assessment of KDHE resource needs	Not Implemented

In addition to state agency implementation activities, 3rd party technical assistance providers help public water supply systems address capacity development challenges. KDHE contracts with the Kansas Rural Water Association (KRWA) using the Small System Technical Assistance 2% Set Aside to provide assistance to small systems to help achieve Safe Drinking Water Act compliance, develop and maintain proper operation and maintenance procedures, develop appropriate financial and management procedures and provide technical assistance to systems using surface water as their source of supply. The goal of technical assistance provided under this contract is to help prevent Safe Drinking Water Act compliance problems before they occur. It is anticipated that this contract will be renewed with KRWA annually. Additionally, KDHE contracts with Ranson Financial Consultants, LLC to provide on-site financial planning assistance including rate setting, budget review and capital improvement planning. This contract will also be renewed annually.

Other technical assistance providers, including the Midwest Assistance Program (MAP), League of Kansas Municipalities (LKM), and Kansas Section American Water Works Association (KsAWWA) provide a variety of assistance to public water suppliers as part of their ongoing activities. These organizations are not under contract with KDHE. Their funding comes from a variety of sources including EPA, USDA Rural Development, and membership fees. Their activities do support the goals of the Kansas New and Existing system strategies. All of the organizations mentioned above participated in development of the Kansas strategies and continue to provide input on KDHE implementation activities. Their activities are important to the overall success of the Capacity Development Program.

MAP primarily provides assistance to water system governing bodies seeking funding from the USDA Rural Development loan and grant programs for water and wastewater systems. KsAWWA provides training to water system operators through its Operator Training Committee (OTC) and works with KDHE's Operator Certification Program to coordinate training activities. LKM provides training for city council/commission members, city managers/administrators and city clerks through the Municipal Leadership Academy. LKM also provides legal advice and sample ordinances for cities in Kansas.

Fiscal Year 2005 Programs and Implementation Activities

KanCap

Development of KanCap board/council education program was completed during FY 2005. The KanCap program is a combination interactive CD and manual that will accommodate a variety of learning preferences ranging from formal classroom training to computer self-study. Train-the-Trainer sessions will be conducted for TA providers on classroom techniques using the CD and manual. It is expected that after the training, TA providers will use or incorporate KanCap in their existing training programs. KDHE encourages participation in the program by providing incentives for board and council member participation. These incentives include additional credit in the ranking system for SRF loans and 3 levels of certification based on the number participants from an individual water system. KanCap was developed to provide water system governing bodies with the information they need to make decisions that help protect the public health. Emphasis is placed on managerial and financial responsibilities.

Regional PWS Planning Grants

FY 2005 was the second year of the Regional PWS Planning Grant Program. This program provides 50% matching funding for preliminary engineering studies that evaluate regional solutions to address public water supply system needs and challenges.

KDHE uses a portion of the 1452(k) capitalization grant set-aside to provide up to \$12,500.00 to match funding provided by the project sponsors for these studies. Two applications were received and approved during FY 2004 and the studies were funded and completed during FY 2005. One application was received and completed during FY 2005. These 3 studies have the potential to benefit a total of 19 public water supply systems (see table 5). KDHE has the ability to provide cost-share funding for approximately 4 regional PWS studies per year. The planning grant application and program instructions are available on KDHE's capacity development webpage: <http://www.kdhe.state.ks.us/pws/capdev.html>.

Table 5 – Regional PWS Planning Grant Projects

Project Sponsors	Systems Benefiting	Status
Hillsboro-Marion Water Cooperative	Hillsboro, Marion, Peabody, Marion Water Improvement Dist. #2	Study Complete – will not construct joint system
Elk River PWWSD #24 (Elk City, Howard, Longton, Severy, & Moline)	Elk City, Howard, Longton, Moline, Severy, EK Co RWD #1, MG Co RWDs #9 & #13	Study Complete – PWWSD #24 is pursuing consolidation with PWWSD #20 as the best solution. Project dependent upon agreement by #20 and USDA/RD funding. Construction of this project will result in decommission of 5 small surface water treatment plants that are currently out of compliance.
Pomona Lake Water Cooperative	DG Co RWDs #2, #3, & #5, OS Co RWDs #2 & #8, SN Co RWD #8 and Overbrook	Study Complete – Most feasible option is to pursue development of 2 wholesale water systems: DG 2&5, OS 2&5 and Overbrook will pursue KS R. east of Lawrence and DG 3 and SN 8 will pursue KS R between Topeka & Lawrence.

SRF TFM Reviews

In addition to the financial reviews conducted by KRWFA for all SRF loans, KDHE conducts reviews using the Capacity Development Survey to ensure that all loan recipients demonstrate TFM capacity. KDHE can require water systems to correct any deficiencies identified on the survey as a condition of the loan. For example, a water system that did not adequately conduct routine maintenance on its surface water treatment plant was required to submit an operations and maintenance plan and then submit quarterly reports on the activities conducted to implement the plan. This requirement can remain in place for the life of the loan if necessary. During Fiscal Year 2005, KRWFA conducted 14 new loan reviews and 10 supplemental reviews for increased loan amendments.

Financial Planning Assistance

KDHE has contracted with the Environmental Finance Center (EFC) at Boise State University to develop a Kansas specific rate-setting and financial planning tool that will be made available via the internet to all Kansas water systems. Under the contract, the EFC is providing a statewide license for CapFinance (asset inventory and financial analysis), included with this license purchase is Rate Check-up (rate analysis). The EFC will tailor Rate Check-up to meet Kansas specific rate-setting and analysis needs. As part of the contract the EFC is developing a website that will enable water systems to log on and download the software tools.

In addition, the EFC will conduct “train-the-trainer” sessions for technical assistance providers that will be providing financial planning help to Kansas water systems. This software should be ready for delivery to Kansas water systems by the end of 2005. This assistance includes a complete review of the system’s budgets, audits, rates and financial planning procedures. A report is provided to the system with recommendations that will help the system achieve and maintain financial capacity, including a rate analysis that illustrates the rates required to maintain long-term financial health and keep the system in compliance.

TFM Capacity Development Survey

The second triennial TFM Capacity Development Survey was conducted during FY 2005. The first survey was conducted in 2002 and provided the baseline set of data that future progress will be measured against. KDHE uses the survey for several purposes: 1) to measure water system capacity building progress; 2) identify and prioritize systems in need of technical assistance; 3) to help measure the success and identify weaknesses of the Capacity Development Program; and 4) provides a self-assessment tool for water systems to use as a capacity building tool. The survey scores are used in conjunction with compliance data, drought vulnerable data and other information to prioritize systems in need. The prioritization process continues to evolve as the ability to use SDWIS/State develops and improves. The TFM Survey is conducted every 3 years in conjunction with the Report to the Governor. A full analysis of the survey data is provided in the Governor’s Report.

Special Capacity Concerns

Compliance with the Long Term 1 Enhanced Surface Water Treatment Rule (LT1) and the Stage 1 Disinfectants and Disinfection Byproducts Rule (DDBPR) is a concern for small surface water systems. Approximately 62 community water systems (7% of all community systems) in the eastern half of Kansas have been or are currently in violation of one or both of these rules. Some of these 62 water systems have already returned to compliance either through changes in operations and/or modifications to their treatment plants. For those systems still out of compliance, KDHE has conducted or is currently conducting special inspections to help identify improvements that could be made in operations or treatment process. These inspections result in recommendations that water systems can implement to achieve compliance. Where feasible, small water systems are encouraged to consolidate and construct new regional wholesale water supply systems. KDHE continues to provide assistance to these systems by providing ongoing technical assistance and funding for regional water supply studies. In addition, Consent Orders are issued outlining the actions water systems are required to take and establishing the time frames in which compliance will be achieved.

Other Associated Activities

KDHE recognizes that other state agencies and non-governmental organizations play an important role in helping water systems achieve and maintain TFM capacity. Two that KDHE frequently partner with are the Kansas Water Office (KWO) and KRWA. KDHE provided funding in cooperation with the KWO and KRWA to develop a Geographic Information System Public Water Supply Database. This database will include service area boundaries, location of facilities (treatment plants, interconnects, storage, intakes, and pumping stations) and main distribution system pipelines. The database was originally scheduled for completion by June 2005. However due to contractor staffing issues, project completion will be sometime in Fiscal Year 2006.

KDHE also serves on technical advisory committees (TAC) convened by the KWO. The first committee is developing regional public water supply strategies. When completed KDHE will use these strategies as guidance for the SRF and Regional Public Water Supply Planning Grant programs. The second committee is developing a *Kansas Water Plan* policy to improve water conservation efforts in Kansas. This effort supports and helps to implement the recommendation in the Existing System Strategy to have water systems install customer meters.

During FY 2005, KRWA provided technical assistance to 143 small public water supply systems under the 2% Small System Technical Assistance Set Aside contract discussed in the Strategy Background Section. Assistance provided under this contract addressed many technical issues including surface water treatment, well testing, new operator training, nitrate compliance and record keeping. Technical assistance was also provided to address managerial issues such as personnel policies and line extension and new service connection policies.

Strategy Review and Modification

Periodic review and modification of the Strategy for Existing Systems is vital in keeping KDHE's Capacity Development Program current and relevant to the needs of Kansas public water supply systems. KDHE met with the Capacity Development Stakeholders on August 30, 2005, to review implementation activities and to solicit input on revisions to the Existing Systems Strategy. The stakeholders reviewed and provided advice on the Strategy recommendations partially implemented or not yet implemented. The results of this discussion are shown in Table 6. KDHE will review the recommendations and revise the Strategy where appropriate. One other change needed is to note that KDHE, not the KWO, conducts the Triennial TFM Survey.

Table 6 – Strategy Recommendations Revision

Recommendation	Action Recommended
Require all systems to install customer meters	Change from a requirement to a recommendation for all systems. This impacts approximately 17 community water systems. DWR & KWO will consider modifying Conservation Plan Guidelines to require customer meters for plan approval (will not apply to all systems, only those required to develop a plan).
Expand KDHE "Survival Guides" for PWS systems	Continue to develop guides as new rules are adopted, currently working on guide for very small systems (mobile home parks, homeowners associations, etc.)
Develop facilities management plan guidelines (Asset Management)	Develop using existing tools (CapFinance, EPA information) where possible.
Kansas Lawmakers information packets	It is not necessary to provide a packet to all lawmakers. However, KDHE should make the Report to the Governor available to interested lawmakers. Provide notification to appropriate committee chairs or send postcard notification to all legislators (KDHE will determine which approach to take).
"As Built" mapping assistance program	Financial resources only allow for the update of RWD boundaries and facilities currently under development. Should try to add cities in the future. "As Built" maps should be the responsibility of the individual water systems.
Develop drinking water public information program	Provide additional information/templates for water systems to use to enhance CCRs
Develop newsletter – KDHE spending, compliance, etc.	Provide articles for stakeholders' publications and the annual KDHE Operator Newsletter
Third-party assessment of KDHE resource needs	Remove from strategy. Legislature approved additional staffing requests for the public water supply supervision program and the PWS Fee Fund.

An evaluation of resource needs is no longer necessary.

Future Activities

The implementation activities scheduled for FY 2006 will focus on 4 areas: 1) continue development of a Kansas Asset management Planning Assistance Program; 2); promote and deliver KanCap and the EFC financial planning tools to boards and councils 3); revise the Existing Systems Strategy to reflect recommended changes by Stakeholders as appropriate; and 4) develop a Capacity Development Recognition Program. This is the only new recommendation from the Stakeholders not included in the original 15 recommendations. Other ongoing activities include TFM reviews related to enforcement actions and SRF applications, new system application review and approval, and coordination on public water supply policy with the KWO. KDHE will also continue to award Regional Public Water Supply Planning grants as applications are received and approved.